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LISTING STATEMENT NO. 2452.

LISTED MAY 12, 1970.

1,634,500 Common shares without par value of which 414,844 shares are subject to issuance.

Stock Symbol "DOM".

Post Section 10.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

DOMAN INDUSTRIES LIMITED

(Incorporated under the laws of the Province of British Columbia
Certificate of Incorporation dated April 18, 1955)

CAPITALIZATION AS AT MARCH 11, 1970

(Being the date of the most recent Certificate of Change of Authorized Capital issued by the Registrar of Companies of the Province of British Columbia)

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
6½ % Cumulative redeemable convertible non-voting preferred shares of \$10.00 par value each	90,486	70,486	Nil
Common shares without par value *of which 414,844 shares are subject to issuance to satisfy stock options, the exchange of Warrants, and conversion of preferred shares	3,106,056	1,219,656	1,634,500
Warrants	—	39,800	Nil

Note: The day-to-day conversion of preferred shares to common results in the reduction of preferred shares and the increase of common shares, at frequent intervals. Small differences between the Company's official capital (reported above) and the issued shares recorded on the Company's register result from conversions not yet reported to the British Columbia Registrar of Companies, or with respect to which he has not yet issued his Certificate of Change of Capital. Conversion reports are usually made to the Registrar of Companies monthly.

FUNDED DEBT

	PRINCIPAL AMOUNT OUTSTANDING	PRINCIPAL INSTALLMENTS DUE WITHIN ONE YEAR
First Mortgage Bond (Authorized amount \$2,500,000) securing: 9¼ % Loan payable in 30 quarterly installments of \$17,500, plus interest	\$ 525,000	\$ 70,000
9½ % Loan payable in 32 quarterly installments of \$7,500, plus interest	240,000	30,000
10¾ % Loan payable in 32 quarterly installments of \$23,375 plus interest	911,625	93,500
11 % Loan payable in 19 quarterly installments of \$22,500 plus interest	427,500	90,000
	<u>2,104,125</u>	<u>283,500</u>
7 % Debentures of Ladysmith Forest Products Limited (Authorized amount \$1,500,000 of which \$1,138,900 is held by Doman Industries Limited and \$361,100 is held by the minority shareholders of Ladysmith Forest Products Limited), payable from 1970 to 1974	361,100	73,788
Equipment contracts at various rates of interest, payable monthly	157,573	75,068
6 % Loans from shareholders	74,148	—
Other agreements payable, secured	85,580	51,980
	<u>\$2,782,526</u>	<u>\$484,336</u>

APPLICATION

DOMAN INDUSTRIES LIMITED (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 1,634,500 common shares in the capital stock of the Company, of which 414,844 have been reserved as follows:

For conversion of preferred shares	281,944
For the exchange of Share Warrants	119,400
For a stock option granted to Didar S. Doman, a key employee and a director	10,500
For a stock option granted to Earle C. Westwood, a director	3,000
	<hr/> 414,844

Note: Subject to the approval of the Company's shareholders, yet to be obtained, a further 61,500 common shares have been set aside by the directors for an employee incentive plan. No such plan has yet been formulated and it is not intended at present to seek the shareholders' approval.

HISTORY

The Company was incorporated as a private company under the laws of the Province of British Columbia on April 18, 1955, and was first named Doman's Lumber and Transport Ltd. It was wholly-owned and controlled by Harbanse Singh Doman, a Canadian citizen of East Indian descent, who at this time remains President and controlling shareholder of the Company. The focal point of the Company's operations was Duncan, a small City lying midway between Nanaimo and Victoria on Vancouver Island.

On March 13, 1958, the name of the Company was changed to Doman's Lumber Company Ltd., and about the same time Doman's Transport Ltd., now a wholly-owned subsidiary, was incorporated. This diversity resulted from the Company's operations breaking into two separate but integrated fields, one being the area of lumber and building supplies and the other the commercial transport field, with emphasis on lumber hauling.

Over the next five years the Company extended its business, establishing retail building supply outlets in Victoria, Nanaimo and Duncan. Wholesale yards were established in Victoria and Vancouver.

In 1964 the Company ventured into sawmilling, Nanoose Forest Products Ltd., now a wholly-owned subsidiary, being formed for that purpose. On November 26, 1964, the Company acquired all the issued shares of Marpole Transfer Co. Ltd. (now re-named Doman-Marpole Transport Ltd.) a Company with a long established trucking history into the interior of the Province.

Between November 10, 1964, and December 4, 1964, the Company changed its name to Doman Industries Limited, became a public Company, and altered its capital so that it was authorized to issue 57,000 preferred shares with a par value of \$10 each and 500,000 common shares without par value. All the preferred shares and 57,000 common shares were offered to the public in early 1965 in a joint underwriting shared by Pemberton Securities Limited and W. C. Pitfield & Company Limited.

On April 27, 1965, the Company acquired all issued shares of Armour & Saunders Ltd., a private company operating a ready-mix concrete business. This company owns extensive gravel deposits on the Koksilah River, near Duncan, British Columbia.

On September 22, 1966, with a view to a further public offering, the Company increased its authorized capital to 117,000 preferred shares and one million common shares. The second underwriting, undertaken by Pemberton Securities Limited alone in late 1966, was principally to provide financing for a joint venture by the Company and Pacific Logging Co. Ltd. in the construction of a sawmilling complex designed to manufacture lumber and pulp chips from small logs at Ladysmith, near Nanaimo, British Columbia. Construction of the sawmill was completed in 1968. The operating Company, Ladysmith Forest Products Ltd., is owned 75% by Doman Industries Limited.

During 1968 the Company purchased all the issued shares of O. B. Logging Co. Ltd., a Company with extensive timber holdings at Howe Sound, British Columbia, and during the same year commenced the construction of a second but smaller sawmill at Chemainus, near Ladysmith, built to cut the larger sawlogs that cannot be handled at the Ladysmith Mill.

On July 16, 1969, the Company sub-divided its common shares three for one, thereby increasing its authorized common stock to 3,074,832 shares.

The Company's volume of business has grown steadily since it became a public company, the significant advances being related to the Company's increased involvement in the forest industry. Gross sales for the fiscal year ending October 31, 1969, reached \$14,341,367, and net earnings were sixty cents per common share. The Company's common shares currently trade in the \$5.00 to \$6.00 range on the Vancouver Stock Exchange, where they have been listed since April 15, 1965. The Company's banker is the Royal Bank of Canada.

NATURE OF BUSINESS

The Company's business comprises logging and sawmilling, with sale of products to both local and world markets, an integrated building supply business, including the supplying of ready-mix concrete, and a commercial trucking business operated throughout British Columbia.

INCORPORATION

The Company was incorporated under the laws of the Province of British Columbia on April 18, 1955, as a private company, with an authorized capital of \$50,000, divided into 50,000 non-cumulative, non-participating redeemable shares of the par value of \$1.00 each. The Company was also authorized to issue 25,000 common shares without par value (maximum price \$1.00). Upon becoming a public company (December 4, 1964) the Company reorganized its capital and since that time there have been frequent changes of authorized capital to

provide for underwritings, sub-division of shares, and the conversion of preferred shares to common. The present authorized capital of the Company, as certified by the Registrar of Companies of the Province of British Columbia, by his Certificate dated March 11, 1970, is \$904,860, divided into 90,486 preferred shares with a nominal or par value of \$10 each, and the Company is also authorized to issue 3,106,056 common shares without nominal or par value with a maximum price or consideration of \$10 each.

5. SHARE ISSUES DURING PAST TEN YEARS

(a) Common Shares without par value:				
<u>Date of Issue</u>	<u>Number of Shares Issued</u>	<u>Amount Realized per Share</u>	<u>Total Amount Realized</u>	<u>Purpose of Issue</u>
January 4, 1965	57,000	*\$5.00	*\$285,000	Acquiring shares of Marpole Transfer Co. Ltd., purchase of trucks and trailers, and general corporate purposes
*Part of a unit made up of 1 common and 1 preferred for a total of \$15 per unit. From the proceeds of \$285,000 and \$570,000, total \$855,000, must be deducted financing costs of \$68,795, which left net proceeds of \$786,205 for the 57,000 units				
September 10, 1968, to January 30, 1969	8,000	\$5.00	\$ 40,000	Stock options to Directors and key employees
March 18, 1969	6,000	\$5.00	\$ 30,000	Term of financing of RoyNat Ltd. loan referred to herein under Funded Debt
February 28, 1969	50	\$7.00	\$ 350	Purchases by Share Warrants
July 9, 1969	100	\$7.00	\$ 700	
Note: The foregoing shares were all subject to the Company's July 16, 1969, stock split				
August 14, 1969	150 (New)	\$2.33⅓	\$ 350	Purchases by Share Warrants

(b) 6½ % Cumulative Redeemable Convertible Preferred Shares (Series A):				
<u>Date of Issue</u>	<u>Number of Shares Issued</u>	<u>Amount Realized per Share</u>	<u>Total Amount Realized</u>	<u>Purpose of Issue</u>
January 4, 1965	57,000	\$10	*\$570,000	As above for common shares issued this date
*Part of a unit made up of 1 common and 1 preferred for a total of \$15 per unit. From the proceeds of \$285,000 and \$570,000, total \$855,000, must be deducted financing costs of \$68,795, which left net proceeds of \$786,205 for the 57,000 units				
January 3, 1967	40,000	\$9.75	\$390,000	General corporate purposes, including the purchase of Debentures of Lady-smith Forest Products Ltd.
		Less financing costs	41,500	
		Net proceeds	\$358,500	

6. STOCK PROVISIONS AND VOTING POWERS

Each common shares carries one poll vote at all meetings of the shareholders. The 6½ % cumulative redeemable convertible preferred shares have attached thereto the following rights, conditions, restrictions, limitations and prohibitions:

- (a) The preferred shares of each series shall rank on a parity with the preferred shares of every other series unless the special resolution of the Company establishing any particular series shall expressly provide that such series shall be subordinate in any respect therein specified to any prior series of preferred shares theretofore issued and outstanding; provided, however, that when any fixed cumulative dividends or amounts payable on a return of capital are not paid in full in accordance with the respective terms of each series, the preferred shares of all series shall rank on a parity and shall participate rateably in respect of such dividends including all unpaid cumulative dividends (which for such purpose shall be calculated as if the same were accruing from day to day for the period from the expiration of the last period for which dividends shall have been paid up to and including the date of distribution) in accordance with the sums which would be payable on said shares if all such dividends were declared and paid in full in accordance with their respective terms and on any return of capital in accordance with the sums which would be payable on such return of capital if all such sums so payable were paid in full in accordance with their respective terms; and provided further that in the event there shall be insufficient assets to satisfy in full all such claims as aforesaid then the claims of the holders of said preferred shares with respect to return of capital shall be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends as aforesaid.
- (b) The preferred shares shall be entitled to preference over the common shares of the Company and any other shares of the Company ranking junior to the said preferred shares with respect to payment of dividends and distribution of assets in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, to the extent fixed in the case of each respective series and may also be given such other preference over the common shares of the Company and any other shares of the Company ranking junior to the said preferred shares as may be fixed in the case of each such series.
- (c) Subject to the provisions of the Companies Act and to the provisions relating to any particular series theretofore issued and to the other provisions of this paragraph (c), preferred shares of any series may be made subject to redemption and, or in the alternative, to purchase by the Company of such times and at such prices, not being in excess of one hundred and six and a half per cent (106½ %) of the par value thereof plus

an amount equal to all unpaid accumulated dividends thereon (which for such purpose shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends shall have been paid up to and including the date of such redemption or purchase) plus in the case of purchase an amount equal to cost of purchase, the whole upon and subject to such other terms and conditions as may be specified in the rights, restrictions, conditions, and limitations attaching to the preferred shares of such series as set forth in the special resolution of the Company relating to such series. Preferred shares redeemed or purchased by the Company shall be cancelled and shall not be re-issued.

(d) Preferred shares of any series shall not be redeemed nor shall any funds of the Company be applied in the purchase of preferred shares of any series, whether through the operation of a preferred share purchase fund or otherwise, unless at the time of such redemption of purchase all accumulated preferential dividends, if any, on all the preferred shares outstanding ranking on a parity with, or in priority to, such series of preferred shares so redeemed or purchased, shall have been declared and paid, or funds in respect thereof set apart for that purpose.

(e) The holders of the preferred shares shall not, as such, be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Company now or hereafter authorized.

(f) No class of shares may be created ranking as to capital or dividends prior to or on a parity with the preferred shares without the approval of the holders of the preferred shares given as hereinafter specified, nor shall any additional preferred shares given as hereinafter specified, nor shall any additional preferred shares be created without such approval.

(g) The holders of preferred shares shall not be entitled (except as hereinafter specifically provided) to receive notice of or attend any meeting of the shareholders of the Company and shall not be entitled to any vote at any such meeting, unless and until six (6) quarterly dividends on the preferred shares of any one series shall remain outstanding and be unpaid whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of dividends. Thereafter each holder of preferred shares shall be entitled to receive notice of and to attend all meetings of shareholders and shall be entitled at any and all such meetings to one vote in respect of each \$10 par value of preferred shares held by him and shall continue to be entitled to notice, to attend and so to vote, until such time as all arrears of dividends on all outstanding preferred shares shall have been paid whereupon the right of holders of preferred shares to receive notice of meetings, to attend and to vote in respect of such preferred shares shall cease unless and until six (6) quarterly dividends on the preferred shares of any series shall again be in arrears and unpaid whereupon the holders of the preferred shares shall again have the right to receive notice, to attend and to vote as above provided and so on from time to time.

If and so often as the holders of preferred shares shall become entitled to voting rights as aforesaid, they shall, notwithstanding any other provisions in that behalf in the Memorandum or Articles of Association of the Company, so long as such voting rights subsist, at each annual general meeting of shareholders of the Company, have the exclusive right, voting separately and as a class, to elect two (2) of the members of the board of directors of the Company if the board consists of seven (7) or less directors, or three (3) of the members of the board of directors of the Company if the board consists of more than seven (7) directors, from among the holders of preferred shares, and the holders of other classes of shares of the Company shall have no voice in said particular election, provided always that the holders of preferred shares shall have no voice or vote in the election of the other directors of the Company. Nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors.

(h) The approval of holders of all the preferred shares as to any and all matters referred to herein or in the special resolution of the Company relating to any in the special resolution of the Company relating to any particular series of preferred shares may be given subject always to the provisions of the Companies Act at a meeting of holders of preferred shares duly called and held upon at least fourteen (14) days' notice, at which meeting the holders of at least a majority of the outstanding preferred shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than two-thirds ($\frac{2}{3}$) of the preferred shares represented and voting at such meeting cast on a poll. If at any such meeting the holders of a majority of the outstanding preferred shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date, being not less than fourteen (14) days later, and to such time and place as may be appointed by resolution of those holders present at the meeting and at least ten (10) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of preferred shares present or represented by proxy shall constitute a quorum and may transact business for which the meeting was originally convened. Except as hereinbefore specifically provided, the formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the Articles of Association of the Company with respect to meetings of shareholders. The Provisions of this sub-paragraph (h) shall apply *mutatis mutandis* to the approval of the holders of preferred shares of any series as to any matter requiring approval of only the holders of preferred shares of such series, provided that nothing herein contained shall preclude the convening contemporaneously of meetings of the holders of all preferred shares and the holders of any one or more series of preferred shares and the holders of other shares in the Company.

(i) The provisions of sub-paragraph (a) to (h) inclusive and of sub-paragraph (i) of this paragraph (c) may be repealed, modified, amended or amplified by special resolution of the Company but only with the approval of the holders of the preferred shares given as hereinbefore mentioned in addition to any other approval required by the Companies Act.

Series A Preferred Shares, in addition to the foregoing rights, restrictions, conditions and limitations, carry and are subject to the following preferences, rights, restrictions, conditions and limitations:

(a) The holders of Series A Preferred Shares shall be entitled to receive and the Company shall pay thereon, as and when declared by the directors out of the monies of the Company properly applicable to the payment of dividends, fixed, cumulative, preferential cash dividends on the amounts from time to time paid up thereon (not exceeding the par value thereof) at the rate of six and one-half per cent ($6\frac{1}{2}\%$) per annum and no more, payable quarterly on the first day of the months of January, April, July and October in each year. Such

dividends shall be cumulative from the 1st day of January, 1965, or in the case of shares issued after that date, from the date of issuance thereof. The holders of Series A Preferred Shares shall not be entitled to any further or other dividends than those expressly provided for herein.

(b) Cheques of the Company, payable at par at any branch of the Company's bankers for the time being in Canada, shall be issued in respect of such dividends, and payment thereof shall satisfy such dividends. However, the Company may at any time or from time to time appoint a bank or trust company as an agent for the purpose of disbursing such dividends. Dividends shall be paid to the registered holders of Series A Preferred Shares appearing of record on the books of the Company at the close of business on such day preceding the day fixed for payment of the dividend as may be determined from time to time by the directors, but in any event such record date shall not be more than thirty (30) days prior to such dividend payment date. If on any dividend payment date the dividend payable on such date is not paid in full on all of the Series A Preferred Shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Company on which the Company shall have sufficient monies properly applicable to the payment of the same.

(c) Unless all the Series A Preferred Shares are being redeemed, no dividends (other than stock dividends) shall at any time be declared or paid on any other shares of the Company ranking junior to the preferred shares unless all cumulative dividends on the Series A Preferred Shares then outstanding accrued for all previous dividend periods, together with those in respect of the then current quarter year payable at the commencement of the next following quarter year, shall have been declared and paid or provided for at the date of such declaration or payment.

(d) Subject to the provisions of the Companies Act, the Company may, upon giving notice in the manner hereinafter provided, redeem at any time the whole or from time to time any part of the outstanding Series A Preferred Shares at a redemption price for each share to be redeemed, consisting of Ten Dollars and Sixty-Five Cents (\$10.65) per share an amount equal to all unpaid accumulated dividends thereon. In case the Company desires to redeem part only of the Series A Preferred Shares the shares to be redeemed may be selected by lot in such manner as the directors may determine or may be selected as nearly as may be pro rata to the holding of Series A Preferred Shares, but disregarding fractions.

(e) In case of any redemption of Series A Preferred Shares under the provisions of the next preceding sub-paragraph, the Company shall mail to each person who at the time of mailing is a registered holder of Series A Preferred Shares to be redeemed a notice in writing of the intention of the Company to redeem such shares. Not less than thirty (30) days prior to the date specified for such redemption such notice shall be mailed, postage prepaid, addressed to each such holder at his address as it appears on the books of the Company or, in the event of the address of any such shareholder not so appearing, then to the last known address for such shareholder; provided, however, that the accidental failure to give any such notice to one or more such holders shall not affect the validity of such redemption as to the other holders, but upon such failure being discovered notice shall be given forthwith and shall have the same force and effect as if given in due time. Such notice shall set out the redemption price, the place or places at which the redemption price is to be paid and the day on which redemption is to take place and, if part only of the Series A Preferred Shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed. On or before the date so specified for redemption, the Company shall deposit the redemption price of the Series A Preferred Shares to be redeemed in a special account in any bank or trust company to be paid without interest to, or to the order of, the respective holders of such Series A Preferred Shares upon presentation and surrender to such bank or trust company of the certificates representing the same. Providing such deposit shall have been made, Series A Preferred Shares so called for redemption shall on the date specified for redemption be and be deemed to be redeemed and cancelled. If a part only of the Series A Preferred Shares represented by any certificate be redeemed, a new certificate for the remainder shall be issued at the expense of the Company. Providing the redemption price shall have been deposited as aforesaid the Series A Preferred Shares so called for redemption shall from and after the date specified for redemption cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof and their rights shall be limited to receiving, without interest, their proportionate part of the total redemption price so deposited against presentation and surrender of the certificates held by them. If the redemption price shall not be deposited as aforesaid the rights of the holders of the Series A Preferred Shares so called for redemption shall remain unaffected.

(f) Subject to the provisions of the Companies Act, the Company may at any time purchase (if obtainable) for cancellation the whole or from time to time any part of the Series A Preferred Shares outstanding in the open market or by invitation for tenders addressed to all holders of Series A Preferred Shares at a price not exceeding Ten Dollars and Sixty-five Cents (\$10.65) per share plus an amount equal to all unpaid accumulated dividends thereon plus cost of purchase. If in response to an invitation for tenders two (2) or more shareholders submit tenders at the same price and if any such tenders are accepted by the Company in whole or in part, then, unless the Company accepts all such tenders in whole, the Company may accept such tenders in proportion as nearly as may be to the number of Series A Preferred Shares offered in each such tender or, if so directed by the board of directors of the Company, select by lot the shares to be redeemed in such manner as the board of directors may determine. From and after the date of purchase of any Series A Preferred Shares under the provisions of this sub-paragraph (f) the Series A Preferred Shares so purchased shall be deemed to be redeemed and shall be cancelled and shall not be re-issued.

(g) Any holder of fully paid Series A Preferred Shares shall be entitled at his option at any time (subject as hereinafter provided) to have all or any of the Series A Preferred Shares held by him converted into fully paid common shares without nominal or par value as the same shall be constituted at the time of conversion at the rate of four (4) common shares for each Series A Preferred Share in respect of which the conversion privilege is exercised.

The conversion privilege herein provided for may only be exercised by notice in writing given to any transfer agent of the Company for the Series A Preferred Shares accompanied by the certificate or certificates for Series A Preferred Shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the books of the Company as the holder of the Series A Preferred Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Series A Preferred Shares which the holder desires to have converted; upon the said transfer agent receiving such notice the Company shall issue certificates for Common shares at the rate herein

prescribed and in accordance with the provisions hereof to the registered holder of the Series A Preferred Shares represented by the certificate or certificates accompanying such notice. If less than all the Series A Preferred Shares represented by any certificate are to be converted the holder shall be entitled to receive a new certificate representing the Series A Preferred Shares comprised in the original certificate which are not to be converted.

Upon conversion of any Series A Preferred Shares the Company shall make no payment or adjustment on account of any accumulated or unpaid dividends on the Series A Preferred Shares certificates for which are surrendered for conversion or on account of any dividends on the common shares issuable upon such conversion.

In the case of any Series A Preferred Shares which may be called for redemption, notwithstanding anything herein contained, the right of conversion thereof shall cease and terminate at the close of business on the third (3rd) day prior to the date fixed for redemption, provided, however, that if the Company shall fail to redeem such Series A Preferred Shares in accordance with the notice of redemption the right of conversion shall thereupon be restored and continue as before.

If the Company shall sub-divide its Common shares into a greater number of shares or shall issue in exchange for such common shares a greater number of common shares then in such case from and after the effective date of such sub-division or exchange of shares the conversion rate shall be increased in proportion to the increase in the number of outstanding common shares resulting from such sub-division or exchange; and if the Company shall reduce the number of common shares by combination or consolidation of shares or shall issue in exchange for its outstanding common shares a smaller number of common shares then in each case from and after the effective date for such combination, consolidation or exchange of shares the conversion rate shall be decreased in proportion to the decrease in the number of the outstanding common shares resulting from such combination, consolidation or exchange of shares.

If the Company shall declare and pay a stock dividend upon the common shares or a dividend payable at the option of the respective holders either in common shares or cash then in each case from and after the payment date of such dividend the conversion rate shall be increased in proportion to the increase in the number of outstanding common shares resulting from such dividend.

The Company shall not issue fractional shares in satisfaction of the conversion privilege hereinbefore provided but in lieu of fractional shares it shall issue non-voting and non-dividend-bearing scrip certificates for a fraction of a share in a form approved by the board of directors. Such scrip certificates may be consolidated into certificates for full shares within such reasonable time as may be determined by the board of directors and if the aggregate amount of shares represented by scrip certificates surrendered for consolidation is an amount in excess of an even number of shares the Company shall at the time of delivery of certificates for the number of full shares called for by the surrender of scrip certificates issue a new scrip certificate for an amount equal to such excess. Such scrip certificates may contain a provision that such certificates shall be null and void after such date as may be determined by the board of directors.

All shares issued for the purpose of or with respect to any conversion of Series A Preferred Shares into common shares or the consolidation of scrip certificates shall be deemed to be fully paid and non-assessable.

Nothing herein contained shall affect or restrict the right of the Company to increase the number of its common shares without nominal or par value in accordance with the provisions of the Companies Act and to issue such shares from time to time.

(h) In the event of a liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding up its affairs, the holders of the Series A Preferred Shares shall be entitled to receive *pari passu* with the holders of other preferred shares which are not by their terms expressly subordinated to the Series A Preferred Shares the redemption price thereof plus all unpaid accumulated dividends thereon before any amount shall be paid to or any property or assets of the Company distributed among the holders of any other shares of the Company ranking subordinate to the Series A Preferred Shares in respect of return of capital. After payment to the holders of the Series A Preferred Shares of the amount so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Company.

- (i) Without the sanction of the holders of the Series A Preferred Shares the Company shall not:
 - (i) Issue any preferred shares ranking in priority to the Series A Preferred Shares;
 - (ii) Issue any preferred shares ranking equally with the Series A Preferred Shares unless either the proceeds of such issue are to be used in whole or in part for the redemption of all of the Series A Preferred Shares then outstanding, or
 - (a) The aggregate amount of the paid up capital stock of the Company and the Consolidated Surplus of the Company as herein defined and the aggregate par value of the preferred shares then proposed to be issued is at least two (2) times the aggregate par value of outstanding Series A Preferred Shares, outstanding preferred shares ranking in priority thereto and/or equally therewith and the preferred shares then proposed to be issued; and
 - (b) The Consolidated Net Earnings of the Company as herein defined for any twelve (12) consecutive months of the eighteen (18) months immediately preceding the date of issuance have been at least three (3) times the amount required for payment of the annual dividends on outstanding Series A Preferred Shares, outstanding preferred shares ranking in priority thereto and/or equally therewith and the preferred shares then proposed to be issued.

The report of the Company's auditors for the time being as to the existence of the required ratios shall be binding and conclusive on the Company and the holders of the Series A Preferred Shares;

- (iii) Issue only preferred shares ranking equally with the Series A Preferred Shares as a distribution of the Capital Surplus or Capital Reserves of the Company as herein defined;
- (iv) Redeem otherwise than by voluntary purchase or the operation of a sinking fund or purchase fund pertaining thereto, any preferred shares ranking equally with the Series A Preferred Shares unless, at the same time, a proportionate amount in aggregate par value of the then outstanding Series A Preferred Shares is also redeemed.

(j) No purchase or redemption of less than all the outstanding Series A Preferred Shares shall be made by the Company at any time unless all accrued dividends on said shares then outstanding shall have been declared and paid or set apart for payment in respect of all quarterly dividend periods preceding the then current quarterly dividend period.

(k) For the purpose of the foregoing provisions, the following words or phrases shall have the meanings set forth, namely:

- (i) "Capital Surplus or Capital Reserves" of the Company means any surplus or reserves other than undistributed profits from operations, appearing on a consolidated balance sheet of the Company and its subsidiaries; the whole as approved by the Company's auditors in accordance with generally accepted accounting practice.
- (ii) "Consolidated Net Earnings" means the income of the Company and of its subsidiaries (excluding therefrom capital profits, if any) after deduction of depreciation and depletion, interest on funded debt and taxes in respect of income, excess profits or other like taxes and excluding income of any subsidiary which, as a result of compliance with any contractual obligations or restrictions (other than restrictions on dividends in relation to working capital) in respect of the payment of dividends to which such subsidiary is at the time subject, is not available for payment of dividends on the shares of such subsidiary held by the Company; the whole as approved by the Company's auditors in accordance with generally accepted accounting practice.
- (iii) "Consolidated Surplus" means the aggregate of consolidated retained earnings and capital surplus as shown on a consolidated balance sheet of the Company and its subsidiaries; the whole as approved by the Company's auditors in accordance with generally accepted accounting practice.
- (iv) "subsidiary" and "subsidiaries" means a company or companies more than fifty per cent (50%) of the capital stock of which having full voting rights in all circumstances is owned or controlled directly or indirectly by the Company, and shall also mean any company standing in like relation to such a subsidiary; provided that such ownership or control carries with it, at the time, the right to elect at least a majority of the directors of such company.

(l) The provisions of sub-paragraphs (a) to (k) inclusive, and of this sub-paragraph (l), of this paragraph (d) may be repealed, modified, amended or amplified by special resolution of the Company but only with the approval of the holders of the Series A Preferred Shares given as hereinbefore specified in addition to any other approval required by the Companies Act.

(m) Nothing herein contained shall affect or restrict the right of the Company to increase the authorized number of common shares or to sub-divide or consolidate its common shares in accordance with the provisions of law or to issue its common shares from time to time.

7. DIVIDEND RECORD

The Company has declared and paid all dividends payable on its 6½ % Series "A" preferred shares, the last having been paid April 1, 1970. No dividend has been declared on the Company's common shares.

8. RECORD OF PROPERTIES

The Company and its wholly-owned subsidiaries own real property in the Province of British Columbia conservatively estimated to have a value of \$525,000. These comprise:

The Company's retail and wholesale stores at Nanaimo, Duncan, and Vancouver (North Surrey).

Gravel deposits and miscellaneous parcels of land owned in the Duncan area by Armour & Saunders Ltd.

The Company's twenty-acre lumber and log assembly yard at Chemainus, British Columbia.

The transport terminal of Doman-Marpole Transport Ltd., located in Vancouver, British Columbia.

The principal personal property or chattel assets owned by the Company and its subsidiaries are:

Forty-six diesel tractors and ninety trailers, which are either owned or held under lease-option agreements by Doman Transport Ltd. and Doman-Marpole Transport Ltd.

Logging equipment, camp and roads owned by O. B. Logging Co. Ltd. at Howe Sound, capable of producing in excess of fifteen million board feet of sawlogs per year.

A small sawmill owned by Nanoose Forest Products Ltd. at Chemainus, British Columbia, now cutting approximately 225,000 board-feet of lumber per annum on a single shift basis.

Concrete batching plant, gravel and ready-mix trucks, owned by Armour & Saunders Ltd.

A large sawmill at Ladysmith, British Columbia, owned by Ladysmith Forest Products Ltd. The estimated replacement cost of this mill and its improvements is in excess of Three Million Dollars.

9. SUBSIDIARY COMPANIES

Ladysmith Forest Products Limited was incorporated on June 3, 1966, pursuant to the Provisions of the British Columbia Companies Act, with an authorized capital of \$10,000, divided into 10,000 shares with a par value of \$1.00 each. Of the 100 issued shares, the Company owns 75, the remainder being owned by Pacific Logging Ltd. and its business associates. Ladysmith Forest Products Limited owns and operates a sawmill at Ladysmith, British Columbia, which cut 59,583,000 board feet of lumber in its last fiscal year.

WHOLLY-OWNED SUBSIDIARY COMPANIES (active)

Doman's Transport Ltd. was incorporated on October 1, 1956, pursuant to the provisions of the British Columbia Companies Act, with an authorized capital of \$10,000, divided into 10,000 shares with a nominal or par value of \$1.00 each, of which only 1,000 shares have been issued. 999 shares are held by the Company and one share is held by Mr. H. S. Doman in trust for the Company. Doman's Transport Ltd. operates a general freight hauling business on Vancouver Island, the greater part of its volume being related to trucking forest industry products. Doman's Freightways Ltd., a wholly-owned subsidiary of Doman's Transport Ltd., owns certain trailers used by its parent company.

Doman-Marpole Transport Ltd. was first named Marpole Transfer Co. Ltd., was incorporated on December 24, 1948, pursuant to the provisions of the British Columbia Companies Act, and was authorized to issue 50,000 No Par Value shares at a maximum price of \$1.00 each. 20,999 issued shares are registered in the name of the Company and one share in the name of Mr. H. S. Doman in trust for the Company. These shares, comprising all the issued shares, were acquired November 26, 1964. Doman-Marpole Transport Ltd. carries on a general freight hauling business in and about the City of Vancouver and into all interior points in the Province of British Columbia.

Nanoose Forest Products Limited was incorporated by Mr. H. S. Doman pursuant to the provisions of the British Columbia Companies Act on February 6, 1964, and was authorized to issue 10,000 shares without par value at a maximum price of \$1.00, divided into 5,000 Class "A" voting shares and 5,000 Class "B" non-voting shares. Of 100 issued shares 99 class "A" are now registered in the name of the Company and one share is held by Mr. H. S. Doman in trust for the Company. Nanoose Forest Products Ltd. operates a small sawmill at Chemainus, British Columbia. O. B. Logging Co. Ltd. is a wholly-owned subsidiary.

O.B. Logging Co. Ltd. was incorporated on September 23, 1955, pursuant to the provisions of the British Columbia Companies Act, with an authorized capital of \$25,000, divided into 20,000 non-cumulative, non-participating redeemable preference shares with a nominal or par value of \$1.00 each and 5,000 common shares with a par value of \$1.00 each. Of the 201 issued shares 200 common shares are registered in the name of Nanoose Forest Products Ltd. and one common share in the name of Mr. H. S. Doman, in trust for Nanoose Forest Products Ltd. These shares were acquired January 27, 1969. O. B. Logging Ltd. holds a British Columbia Government Timber Sale Harvesting Licence in Howe Sound with an annual permitted cut of 1,952,000 cubic feet. O. B. Logging Co. Ltd., as well, owns the logging equipment, camp and roads which are necessary to conduct such logging.

Armour & Saunders Limited was incorporated on July 19, 1946, pursuant to the provisions of the British Columbia Companies Act, with an authorized capital of \$10,000, divided into 10,000 shares with a nominal or par value of \$1.00. Of the 100 issued shares 99 are held by the Company and one share by Mr. H. S. Doman in trust for the Company. These shares were acquired April 27, 1965. Armour & Saunders Limited owns aggregate deposits, gravel washing facilities, a modern batching plant, and gravel and ready-mix trucks. Ready-mix concrete and top-soil are sold throughout the Cowichan Valley.

Doman Investments Limited was incorporated on May 13, 1969, pursuant to the provisions of the British Columbia Companies Act, with an authorized capital of \$10,000, divided into 10,000 shares with a nominal or par value of \$1.00, of which only 100 have been issued. 99 issued shares are registered in the name of Doman Industries Limited and one share in the name of Mr. H. S. Doman, in trust for the Company. It is intended to utilize this Company for land-banking for future sub-divisions.

10. FUNDED DEBT

The Company's funded debt consist of:

Part (a) Description

	Principal Amount Outstanding	Principal Installments due within one year
First Mortgage Bond (Authorized amount \$2,500,000) securing:		
9¼ % Loan payable in 30 quarterly installments of \$17,500, plus interest	\$ 525,000	\$ 70,000
9½ % Loan payable in 32 quarterly installments of \$7,500, plus interest	240,000	30,000
10¾ % Loan payable in 32 quarterly installments of \$23,375, plus interest	911,625	93,500
11 % Loan payable in 19 quarterly installments of \$22,500, plus interest	427,500	90,000
	<u>2,104,125</u>	<u>283,500</u>
7 % Debentures of Ladysmith Forest Products Limited (Authorized amount \$1,500,000 of which \$1,138,900 is held by Doman Industries Limited and \$361,100 is held by the minority shareholders of Ladysmith Forest Products Limited), payable from 1970 to 1974	361,100	73,788
Equipment contracts at various rates of interest, payable monthly	157,573	75,068
6 % Loans from shareholders	74,148	—
Other agreements payable, secured	85,580	51,980
	<u>\$2,782,526</u>	<u>\$484,336</u>



DOMAN INDUSTRIES LIMITED

**ANNUAL
REPORT
1969**

**DIRECTORS
AND
OFFICERS**

Doman INDUSTRIES LIMITED
(Incorporated under the Laws of British Columbia)

DIRECTORS	<p>H. S. Doman, <i>President, Doman Industries, Duncan, B.C.</i></p> <p>Dennis C. Roberts, <i>Chartered Accountant, Victoria, B.C.</i></p> <p>Ian C. Danvers, <i>Director, Pemberton Securities, Vancouver, B.C.</i></p> <p>John C. Davie, <i>Barrister & Solicitor, Williams & Davie, Duncan, B.C.</i></p> <p>D. S. Doman, <i>Executive, Doman Industries, Victoria, B.C.</i></p> <p>Gordon B. Elworthy, <i>Vice-President, Island Tug & Barge, Victoria, B.C.</i></p> <p>Earle C. Westwood, <i>Executive, Nanaimo, B.C.</i></p> <p>J. R. Abercrombie, <i>C.A., Treasurer, Doman Industries, Duncan, B.C.</i></p>
OFFICERS	<p>H. S. Doman, <i>President</i></p> <p>John C. Davie, <i>Secretary</i></p> <p>J. R. Abercrombie, <i>Treasurer</i></p>
REGISTRAR & TRANSFER AGENT	<p>Royal Trust Company, <i>Vancouver, B.C.</i></p>
BANKERS	<p>The Royal Bank of Canada</p>
SOLICITORS	<p>Williams & Davie, <i>Duncan, B.C.</i></p>
AUDITORS	<p>Thorne, Gunn, Helliwell & Christenson, <i>Vancouver, B.C.</i></p>

DOMAN INDUSTRIES LIMITED

PRESIDENT'S REPORT TO THE SHAREHOLDERS

The Year In Review

In the year ended October 31, 1969, your Company realized substantial gains in many areas. Sales reached \$14,341,000, which represents a 37% increase over the preceding year. Earnings before income taxes and the interest of minority shareholders in the profits totalled \$1,969,000 up 149% from the preceding year. Net earnings available for the common shareholders after allowing for all charges, including dividends on the preferred shares amounted to \$686,000 up 156% over the 1968 year, and on an earnings per common share basis amounted to 60 cents compared with 25 cents in 1968. (1968 earnings per share are restated to reflect the July 1969 - 3 for 1 common stock split.) These financial highlights and other statistics which are of interest are shown in graph form on the following pages.

In commenting on the operating results for the year ended October 31, 1969, it is necessary to give some background as to the general business conditions which prevailed in the period, and which had a particular effect on the demand for lumber on the U.S. Eastern seaboard, which is our main export market place. Throughout the year we experienced wide swings in business activity and it was necessary to move quickly to take advantage of changing conditions. As the first quarter which ended January 31, 1969 closed and the difficult winter weather conditions were behind us, we entered a highly successful second quarter characterized by a buoyant lumber market with demand outstripping supply, and prices rising quickly. This came to an end approximately four months later when the tight money policy took effect in the U.S., and housing starts slowed down. When the resulting fall off in the demand for lumber occurred, your Company was in a strong cash position with log and lumber inventories at minimum levels.

For the third and fourth quarters up to our year ended October 31, 1969 we have relied upon a combination of productivity and diversification to meet budgeted profit levels. We have been able to maintain a brisk level of activity in our domestic marketing of lumber and building supplies, and a substantial contribution to con-

solidated profits has come from our Transportation, Logging and Concrete Divisions.

Major Expenditures

Our policy is to provide each division with the best plant and equipment available, replacing old equipment as soon as it becomes uneconomic. Good plant and equipment is vital if a high level of productivity is to be maintained. During the year we purchased new plant and equipment totalling \$1,289,000, and also acquired additional equipment when we purchased the shares of our new logging subsidiary, O.B. Logging Co. Ltd. These acquisitions were paid for out of cash flow from operations, and out of the proceeds from an issue of first mortgage bonds. Some short term indebtedness was paid off, and working capital increased to \$1,525,000 at the year end.

The Outlook

In the short run business is faced with the existence of a tight money situation, a period of tough labour bargaining and costs which will spiral if they are not controlled. While these problems must not be underestimated, they are by no means insurmountable. In accordance with our policy of emphasizing information systems, budgeting and planning, we are entering this new year on a closely controlled basis. All indications are that each division will continue to generate a steady profit. Our ability to sell lumber in the domestic market through the Company's five Building Supply outlets continues to be of great assistance to the lumber manufacturing division.

We now see the demand firming in the main export lumber markets. As the tight money situation in the U.S. gradually eases, the pent up demand for housing will accelerate this firming of the markets, and with excess capacity in both our sawmills and lumber remanufacturing plant, we will be in a position to benefit directly. This stabilizing process is inevitable with the unknowns being how long it will take, and with what degree of skill the U.S. Government will

bring inflation under control. We feel the steps taken to date to control inflation have been good in that some results were achieved and the economy was kept moving.

A Special Note

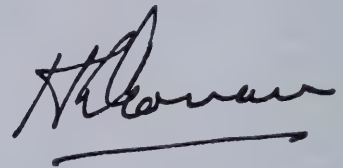
This report would not be complete without recognizing the real contribution which was made by our employees during the year. Their continuing efforts and loyalty have made the improved operating results possible. In 1969 we were pleased to welcome Mr. Earle C. Westwood of Nanaimo, B.C. to the Company's Board of Directors. Until recently Mr. Westwood was Agent General of British Columbia, for the United Kingdom and Europe, an appointment

held since 1964. Between 1956 and 1963 he held the portfolios of Minister of Industrial Development, Trade and Commerce, Minister of Commercial Transport and Minister of Recreation and Conservation with the British Columbia Government. He brings to the Company a wealth of experience and a valuable business background.

Conclusion

I am pleased to be able to conclude this annual message by stating that your Company is currently operating at satisfactory profit levels, no serious problems are foreseen in any of the divisions and that the long term outlook is promising.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'H. S. Doman', with a horizontal line drawn underneath it.

H. S. Doman,
President & Chairman of the Board.

February 20, 1970
Duncan, B.C.

YEAR**1965 \$ 5,981,820****1966 \$ 7,011,818****1967 \$ 8,362,126****1968 \$10,486,069****1969 \$14,341,367****ANNUAL SALES VOLUME****1965 \$236,671****1966 \$190,145****1967 \$158,329****1968 \$331,096****1969 \$740,993****ANNUAL NET EARNINGS****1965 \$ 503,446****1966 \$ 530,797****1967 \$ 428,981****1968 \$1,001,781****1969 \$1,593,999****ANNUAL CASH FLOW
FROM OPERATIONS****1965 \$ 561,303****1966 \$ 238,505****1967 \$ 346,791****1968 \$1,070,567****1969 \$1,525,095****WORKING CAPITAL
AT FISCAL YEAR END****1965 \$3,868,282****1966 \$4,822,124****1967 \$5,994,696****1968 \$6,928,641****1969 \$9,519,345****TOTAL ASSETS
AT FISCAL YEAR END**

FINANCIAL HIGHLIGHTS

	1969	1968	1967	1966	1965
Sales	\$14,341,367	\$10,486,069	\$8,362,126	\$7,011,818	\$5,981,820
Earnings Before					
Income Taxes	1,817,993	735,057	314,729	374,560	438,169
Less Income Taxes	1,077,000	403,961	156,400	184,415	201,498
Net Earnings	740,993	331,096	158,329	190,145	236,671
Less Preferred Dividends	55,199	63,050	56,550	37,050	27,788
Net Earnings Available for					
Common Shares	685,794	268,046	101,779	153,095	208,883
Earnings Per Common Share ..	.60	.25	.10	.14	.20
<i>(1968 and prior restated for 1969 - 3 for 1 stock split)</i>					
Current Assets	\$ 4,587,142	\$ 3,588,436	\$2,802,367	\$2,571,165	\$1,985,534
Current Liabilities	3,062,047	2,517,869	2,455,576	2,332,660	1,424,231
Working Capital	1,525,095	1,070,567	346,791	238,505	561,303
Fixed Assets — Net	4,487,724	2,861,629	2,728,026	1,986,637	1,582,983
Other Assets	444,479	494,480	461,208	264,347	299,765
Long-Term Indebtedness	2,456,518	1,490,974	1,123,212	544,446	636,333
Deferred Income Taxes	601,761	444,761	244,700	235,700	182,700
Preferred Shares	727,360	970,000	970,000	570,000	570,000
Common Shareholders' Equity	2,469,088	1,469,254	1,201,208	1,139,318	1,055,018
Interest of Minority					
Shareholders	202,571	51,687	(3,095)	25	—

FIVE YEAR COMPARISON OF OPERATING RESULTS

	1969	1968	1967	1966	1965
Sales	\$14,341,367	\$10,486,069	\$8,362,126	\$7,011,818	\$5,981,820
Cash Flow from operations	1,593,999	1,001,781	428,981	530,797	503,446
Net earnings (excluding profit on sale of fixed assets)	727,227	331,096	158,042	183,979	149,915
Profit on sale of fixed assets	13,766	—	287	6,166	86,756
Preferred dividends	55,199	63,050	56,550	37,050	27,788

FIVE YEAR COMPARISON OF FINANCIAL POSITION

	1969	1968	1967	1966	1965
Fixed Assets (Net)	\$ 4,487,724	\$ 2,861,629	\$2,728,026	\$1,986,637	\$1,582,983
Long term debt (net after current portion)	2,456,518	1,490,974	1,123,212	544,446	636,333
Working Capital	1,525,095	1,070,567	346,791	238,505	561,303
Shareholders' Equity	3,196,448	2,439,254	2,171,208	1,709,318	1,625,018
Deferred Income Taxes (Fully provided for in the accounts)	601,761	444,761	244,700	235,700	182,700

DOMAN INDUSTRIES LIMITED

Consolidated Statement of Earnings and Retained Earnings

Year Ended October 31, 1969

(with comparative figures for 1968)

	1969	1968
Sales of products, merchandise and services	\$14,341,367	\$10,486,069
Costs and expenses (notes 2, 3 and 4)		
Cost of sales, selling and administration expense	11,681,995	9,149,114
Depreciation	358,226	285,243
Depletion of timber and amortization of roads	86,374	89,932
Amortization of deferred preproduction expenses	41,675	34,729
Interest on long-term debt (1969—including \$18,566 financing costs)	204,220	137,212
	12,372,490	9,696,230
<i>Earnings before income taxes and minority interest</i>	1,968,877	789,839
Income taxes (note 5)		
Current	920,000	203,900
Deferred	157,000	200,061
	1,077,000	403,961
<i>Earnings before minority interest</i>	891,877	385,878
Interest of minority shareholders in earnings of subsidiary	150,884	54,782
NET EARNINGS FOR YEAR	740,993	331,096
Retained earnings at beginning of year	1,183,004	914,958
	1,923,997	1,246,054
Dividends on preferred shares	55,199	63,050
RETAINED EARNINGS AT END OF YEAR	\$ 1,868,798	\$ 1,183,004

DOMAN INDUSTRIES LIMITED

(Incorporated under the laws of the Province of British Columbia)

Consolidated Balance Sheet at October 31, 1969

(with comparative figures at October 31, 1968) (note 9)

ASSETS	1969	1968
<i>Current Assets</i>		
Cash and term deposits, net of bank advances	\$ 807,711	—
Accounts receivable	1,526,884	\$1,746,435
Inventories (note 6)	2,123,182	1,752,673
Prepaid expenses and other	129,365	73,424
	<u>4,587,142</u>	<u>3,572,532</u>
<i>Investments and Receivables Other Than Current</i>	<u>96,293</u>	<u>55,773</u>
<i>Fixed Assets, at cost (note 3)</i>		
Buildings, machinery and equipment	4,888,871	3,541,459
Less accumulated depreciation	1,511,145	982,912
	<u>3,377,726</u>	<u>2,558,547</u>
Land	212,277	209,877
Timber holdings and logging roads, less amounts written off \$607,076 (1968 - \$266,575)	897,721	93,205
	<u>4,487,724</u>	<u>2,861,629</u>
<i>Intangibles and Deferred Charges</i>		
Deferred charges, less amortization (note 4)	159,840	250,361
Excess of cost over book values on acquisition of shares in subsidiaries, identified mainly with freight hauling rights	188,346	188,346
	<u>348,186</u>	<u>438,707</u>
	<u>\$9,519,345</u>	<u>\$6,928,641</u>

Approved by the Board,

H. S. Doman, Director

J. C. Davie, Director

LIABILITIES	1969	1968
<i>Current Liabilities</i>		
Bank advances, net, secured	—	\$1,150,207
Accounts payable and accrued liabilities	\$1,637,700	960,603
Income taxes payable	914,664	124,326
Principal instalments due within one year on long-term debt	509,683	266,829
	<u>3,062,047</u>	<u>2,501,965</u>
<i>Long-Term Debt</i> , less principal instalments included in current liabilities (note 7)	<u>2,456,518</u>	<u>1,490,974</u>
<i>Deferred Income Taxes</i> (note 5)	<u>601,761</u>	<u>444,761</u>
<i>Interest of Minority Shareholders in Subsidiary Company</i>	<u>202,571</u>	<u>51,687</u>
 SHAREHOLDERS' EQUITY		
<i>Capital Stock</i> (note 8)		
Authorized		
92,736 6½ % cumulative redeemable convertible preferred shares, par value \$10 (1968 - 117,000 shares)		
3,097,056 common shares without par value (1968 - 1,000,000 shares)		
Issued		
72,736 preferred shares (1968 - 97,000 shares)	727,360	970,000
1,210,656 common shares (1968 - 357,000 shares)	600,290	286,250
	<u>1,327,650</u>	<u>1,256,250</u>
<i>Retained Earnings</i>	<u>1,868,798</u>	<u>1,183,004</u>
	<u>3,196,448</u>	<u>2,439,254</u>
	<u>\$9,519,345</u>	<u>\$6,928,641</u>

Auditors' Report To the Shareholders of Doman Industries Limited

We have examined the consolidated balance sheet of Doman Industries Limited and subsidiary companies at October 31, 1969 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies at October 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

December 19, 1969
Vancouver, B.C.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

DOMAN INDUSTRIES LIMITED

Consolidated Statement of Source and Application of Funds

Year Ended October 31, 1969

(with comparative figures for 1968) (note 9)

	1969	1968
<i>Source of Funds</i>		
Operations		
Net earnings for year	\$ 740,993	\$ 331,096
Charges against earnings not representing a current outlay of funds		
Depreciation and depletion	444,600	375,175
Deferred income taxes	157,000	200,061
Amortization of deferred charges	100,522	40,667
Interest of minority shareholders	150,884	54,782
Total funds from operations	1,593,999	1,001,781
Issue of securities		
Common shares	71,400	—
First Mortgage Bonds	1,385,000	300,000
Debentures	—	111,100
	1,456,400	411,100
Sale of fixed assets	112,948	862
	3,163,347	1,413,743
<i>Application of funds</i>		
Additions to fixed assets	1,289,193	509,640
Investment in O.B. Logging Co. Ltd., including working capital deficiency at acquisition	831,531	—
First Mortgage Bonds—amounts repaid and currently maturing	283,500	52,500
Net reduction (increase) in other long-term debt	218,322	(9,162)
Net increase (reduction) in investments and receivables other than current	31,074	(13,335)
Dividends paid on preferred shares	55,199	63,050
Deferred charges	—	87,274
	2,708,819	689,967
INCREASE IN WORKING CAPITAL	454,528	723,776
WORKING CAPITAL AT BEGINNING OF YEAR	1,070,567	346,791
WORKING CAPITAL AT END OF YEAR	\$1,525,095	\$1,070,567

Notes to Consolidated Financial Statements

Year Ended October 31, 1969

1. **BASIS OF CONSOLIDATION**—The consolidated financial statements include the accounts of the subsidiary companies, all of which are wholly-owned except Ladysmith Forest Products Limited, 75% owned.

The excess of cost over book value of the assets of O.B. Logging Co. Ltd., attributed to timber values, is reflected as such in the balance sheet. Operations of that company are included from January 8, 1969, the date of acquisition; and those of Doman Investments Limited from May 13, 1969, the date of incorporation.

2. **STATUTORY INFORMATION**—Included in or netted against cost of sales, selling and administration expense are the following:

- (a) Directors' remuneration, including fees to directors and full remuneration of officers and employees who are also directors—\$76,899 (1968—\$85,975).
- (b) Gain on sale of fixed assets—\$13,766 (1968—nil).
- (c) Income from investments—\$2,940 (1968—nil).

3. **FIXED ASSETS AND DEPRECIATION**—Depreciation is recorded on a straight-line basis at rates based on the estimated useful lives of fixed assets. These estimated useful lives range between five to ten years for automotive equipment, ten to fifteen years for other equipment and twenty years for buildings. Costs of timber holdings and logging roads are written off as timber in the area is removed.

4. **DEFERRED CHARGES**—These consist of preproduction expenses of the Ladysmith sawmill (\$131,970 being amortized by regular charges to income over five years starting January, 1968) and deferred finance fees (\$27,870 being amortized as interest over the life of the debt).

5. **INCOME TAXES**—The companies have followed the practice of charging earnings with both the income taxes currently payable and the amounts deferred through claiming capital cost allowances in excess of the depreciation recorded at appropriate straight-line rates in the accounts. The accumulated amount of these deferments is recorded in the balance sheet as "Deferred Income Taxes".

6. **INVENTORIES**

	1969	1968
Logs	\$ 707,582	\$ 664,945
Lumber	1,036,122	625,630
Merchandise	292,293	387,907
Supplies	87,185	74,191
	\$2,123,182	\$1,752,673

Logs and supplies are valued at the lower of cost and replacement cost; lumber and merchandise are valued at the lower of cost and net realizable value.

7. LONG-TERM DEBT

	Amount October 31, 1969	Principal Instalments due within one year
First Mortgage Bond, securing:		
9¼ % Loan payable in 31 quarterly instalments of \$17,500 plus interest	\$ 542,500	\$ 70,000
9½ % Loan payable in 33 quarterly instalments of \$7,500 plus interest	247,500	30,000
10¾ % Loan payable in 40 quarterly instalments of \$23,375 plus interest	935,000	93,500
11% Loan payable in 20 quarterly instalments of \$22,500 plus interest	450,000	90,000
	<u>2,175,000</u>	<u>283,500</u>
7% Debentures of Ladysmith Forest Products Limited, held by its shareholders, payable from 1970 to 1974	361,100	46,956
Equipment contracts at various rates of interest, payable monthly	241,937	136,549
6% Loans from shareholders	73,206	—
Other agreements payable, secured	114,958	42,678
	<u>\$2,966,201</u>	<u>\$509,683</u>

8. **CAPITAL STOCK**—Preferred shares are redeemable at \$10.65 per share unless converted (on the basis of four (new) common shares for each preferred share) within the thirty day period of notice.

Changes in the company's capital stock during the year were as follows:

- (a) Authorized and issued common shares were subdivided three for one in July, 1969,
- (b) 24,264 issued preferred shares were converted at their par value of \$242,640 into 97,056 (new) Common shares without par value,
- (c) 42,000 (new) common shares were issued for \$70,000 cash under stock options, including 18,000 shares for which options were granted during the year, and
- (d) 600 (new) common shares were issued for \$1,400 cash on exercise of purchase warrants.

During the year options were granted covering 31,500 (new) common shares. 18,000 of these shares, optioned to a lender, were taken up at \$1.67 per share. The options on the remaining 13,500 shares, granted to directors, are exercisable at \$3.67 per share as to 2,100 shares per year for five years (this right is cumulative) and as to 3,000 shares at \$6.15 per share until July 11, 1974.

In addition to the 13,500 unissued (new) common shares reserved for these options, 119,400 (new) common shares are reserved for stock purchase warrants issued in 1967, entitling the bearers until December 31, 1976 to purchase these common shares for \$2.33⅓ per share. A further 61,500 (new) common shares are reserved for stock options to key employees, but these options have not been issued.

9. **RESTATEMENT**—Certain minor reclassifications of 1968 amounts have been made to facilitate comparisons with the current year.

- (ii) On July 11, 1969, a stock option, exercisable up to July 11, 1974, was granted to Mr. Earle C. Westwood, a director, for 3,000 common shares at \$6.15 per share.
- (iii) Subject to ratification by the Company's shareholders, 61,500 common shares have been reserved for stock options for Directors and key employees, in anticipation of an employee incentive plan. To date no plan has been formulated.

12. LISTING ON OTHER STOCK EXCHANGES

The shares now sought to be listed have been listed on the Vancouver Stock Exchange since April 15, 1965.

13. STATUS UNDER SECURITIES ACTS

Particulars of any filing, registration, approval or qualification with or by the Ontario Securities Commission or any corresponding Government body or authority are as follows:

(a) No filing, registration, approval or qualification has been made or received by the Company with or from the Ontario Securities Commission.

(b) On December 14, 1964, the British Columbia Securities Commission acknowledged in writing receipt of the material required to be filed by Part VII of the British Columbia Securities Act, with respect to the Company's Prospectus, dated December 14, 1964.

(c) On December 1, 1966, a similar acknowledgment in writing was given with respect to the Company's Prospectus, dated November 28, 1966.

14. FISCAL YEAR

The fiscal year of the Company ends on October 31 in each year.

15. ANNUAL MEETINGS

The Articles of Association of the Company provide that the Annual General Meeting shall be held at such place as the directors determine. Since becoming a public company Annual General Meetings have been held each year during February or March at Victoria or Duncan, British Columbia. The last Annual General Meeting was held at Duncan, British Columbia, on March 11, 1970.

16. HEAD AND OTHER OFFICES

The Registered Office of the Company is at the law offices of its solicitors, Messrs. Williams & Davie, 170 Craig Street, Duncan, British Columbia. The Head Office and only general business office of the Company is at 2739 James Street, Duncan, British Columbia.

17. TRANSFER AGENT

The transfer agent of the Company is: The Royal Trust Company at its offices in Toronto and Vancouver.

18. TRANSFER FEE

No fee is charged other than customary Government stock transfer fees.

19. REGISTRAR

The Registrar of the Company is: The Royal Trust Company, Vancouver, British Columbia. A Registry Office has been established at the Toronto office of the Royal Trust Company.

20. AUDITORS

The auditors of the Company are: Messrs. Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, of 1177 West Hastings Street, Vancouver, British Columbia.

21. OFFICERS

The officers of the Company are:

<u>Name</u>	<u>Office</u>	<u>Home Address</u>
Harbanse S. Doman	President	5803 Brier Street, Duncan, British Columbia
John C. Davie	Secretary	1063 College Street, Duncan, British Columbia
Jack R. Abercrombie, C.A.	Treasurer	2980 Cosgrove Drive, Nanaimo, British Columbia

DIRECTORS

The directors of the Company are:

<u>Name</u>	<u>Home Address</u>	<u>Occupation during last five years</u>
Harbanse S. Doman	5803 Brier Street Duncan, British Columbia	Managing Director and President— Doman Industries Limited
John C. Davie	1063 College Street Duncan, British Columbia	Barrister and Solicitor
Jack R. Abercrombie, C.A.	2980 Cosgrove Drive Nanaimo, British Columbia	Hagar Investments Ltd. (now Pitfield, MacKay, Ross & Co. Ltd.), Victoria, British Columbia—June 1, 1963, to March 31, 1966—Comptroller; Comptroller and Executive Vice-Presi- dent—Mayo Lumber Co. Ltd., Nanaimo, British Columbia—April 1, 1966, to October 15, 1967; Comptrol- ler and Treasurer—Doman Industries Limited—October 16, 1967, to date.
Ian C. Danvers	3195 Benbow West Vancouver, British Columbia	Director—Pemberton Securities Ltd.
Didar S. Doman	3672 Tillicum Victoria, British Columbia	Manager—Victoria Wholesale Division —Doman Industries Limited
Earle C. Westwood	2540 Lynburne Crescent Nanaimo, British Columbia	Agent General for British Columbia to September, 1968; Personal Business Executive to date
Dennis C. Roberts, C.A.	2620 Bowker Avenue Victoria, British Columbia	Chartered Accountant
Gordon B. Elworthy	3340 Ripon Road Victoria, British Columbia	Vice-President—Island Tug & Barge Ltd., Victoria, British Columbia, to April 1, 1969; President—Linden Con- struction Ltd., April 1, 1969, to date

CERTIFICATE

Pursuant to a Resolution passed by its Board of Directors, Doman Industries Limited hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange, and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

DOMAN INDUSTRIES LIMITED



Per: "H. S. DOMAN",
President

Per: "J. C. DAVIE",
Secretary

DISTRIBUTION OF 1,224,145 COMMON SHARES AS OF MARCH 10, 1970

Number		Shares
21	..... Holders of 1 — 24 share lots	252
125	..... " " 25 — 99 " "	7,450
263	..... " " 100 — 199 " "	32,390
104	..... " " 200 — 299 " "	21,300
263	..... " " 300 — 399 " "	79,563
52	..... " " 400 — 499 " "	22,160
139	..... " " 500 — 999 " "	89,050
84	..... " " 1000 — up " "	971,980
<u>1,051</u>	Shareholders	<u>Total shares 1,224,145</u>

FINANCIAL STATEMENTS

DOMAN INDUSTRIES LIMITED

INCORPORATED UNDER THE LAWS OF THE PROVINCE

CONSOLIDATED BALANCE SHEET

at January 31, 1970

(Unaudited)

ASSETS

January 31, 1970

CURRENT ASSETS

Accounts receivable	....	....	....	....	....	....	....	....	....	\$1,699,417
Inventories	....	....	....	....	....	....	....	....	....	2,771,357
Prepaid expenses and other	81,472
										<u>4,552,246</u>

INVESTMENTS AND RECEIVABLES OTHER THAN CURRENT							<u>114,474</u>
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FIXED ASSETS at cost

Buildings, machinery and equipment	4,834,103
Less: Accumulated depreciation	<u>1,501,910</u>
										3,332,193
Land	....	....	....	....	....	....	....	....	....	212,277
Timber holdings and logging roads, less amounts written off	....	....	....	....	....	....	....	....	....	<u>897,238</u>
										<u>4,441,708</u>

INTANGIBLES AND DEFERRED CHARGES

Deferred charges, less amounts written off	....	....	....	....	....	....	....	....	....	146,981
Excess of cost over book values on acquisition of shares in subsidiaries, identified mainly with freight hauling rights	....	....	....	....	....	....	....	....	....	<u>188,346</u>
										<u>335,327</u>
										<u>\$9,443,755</u>

LIABILITIES

CURRENT LIABILITIES

Bank advances	....	....	....	....	....	....	....	....	....	1,361,877
Accounts payable and accrued liabilities	....	....	....	....	....	....	....	....	....	1,004,725
Income taxes payable	....	....	....	....	....	....	....	....	....	175,075
Principal installments due within one year on long-term debt	<u>465,572</u>
										<u>3,007,249</u>

LONG-TERM DEBT, net of installments due within one year						<u>2,331,525</u>
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DEFERRED INCOME TAXES	<u>614,657</u>
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INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANY									<u>221,921</u>
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SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized

92,086 6½ % cumulative redeemable convertible preferred shares, par value \$10
3,099,656 Common shares without par value

Issued

72,086 Preferred shares	720,860
1,213,256 Common shares	<u>606,790</u>

RETAINED EARNINGS	<u>1,327,650</u>
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1,940,753

3,268,403

\$9,443,755

DOMAN INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS JANUARY 31, 1970 (Unaudited)

	Three Months Ended January 31, 1970
Sales of products, merchandise and services	\$2,999,029
<u>Costs and expenses</u>	
Cost of sales, selling and administration expense	2,547,644
Depreciation	94,918
Depletion of timber and amortization of roads	22,828
Amortization of deferred pre-production expenses	10,419
Interest on long-term debt	67,523
Bank charges and interest	14,183
	<u>2,757,515</u>
Net operating profit	241,514
Profit on disposal of fixed assets	1,102
Net profit before taxes and minority	<u>242,616</u>
Provision for income taxes	
Currently payable	126,700
Deferred	12,896
	<u>139,596</u>
Earnings before minority interest	103,020
Interest of minority shareholders in earnings of subsidiary	<u>19,350</u>
Net earnings for the period	83,670
Retained earnings at beginning of the period	Nil
Dividends on preferred shares	<u>11,715</u>
Retained earnings at end of the period	Nil
Earnings available for common shares	71,955
Average number of common shares outstanding in the period	1,211,523
Earnings per common shares ....	.06

DOMAN INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (Unaudited)

Three Months
Ended
January 31, 1970

SOURCE OF FUNDS

Operations

Net earnings for the period	\$ 83,670
Charges against earnings, not representing a current outlay of funds	Nil
Depreciation and depletion	117,746
Deferred income taxes	12,896
Amortization of deferred charges	12,859
Interest of minority shareholders	19,350
Cash flow from operations	246,521
Disposal of Fixed Assets	173,012
	<u>419,533</u>

APPLICATION OF FUNDS

Additions to fixed assets	244,741
Net reduction in long-term debt	124,987
Dividends on preferred shares	11,715
Net increase (reduction) in investments and receivables other than current	18,188
	<u>399,631</u>
Increase (decrease) in working capital	19,902
Working capital beginning of the period	1,525,095
Working capital end of the period	<u>\$1,544,997</u>

